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INTRODUCTION

The Partial Tuition Refund Program (PTR), administered by the Office of Professional Development, reimburses eligible employees for a percentage of the tuition, registration, and enrollment fees they pay for courses that relate to their performance capabilities as employees of the Family Independence Agency. The amount of reimbursement is limited to a percentage of the tuition and fees actually paid by the employee with a maximum amount for each fiscal year.

For FY 1997 the percentage reimbursement rate was 70% for Eligibility Specialists (selected for Family Independence Specialists positions) and Family Independence Specialists, and 50% for all other eligible staff. Reimbursements were limited to \$1,000 per applicant for FY 1997. In FY 1998, eligible staff were reimbursed at 60% and the yearly limit was \$2,000 per applicant. Also in FY 1998 child welfare supervisors and line staff in local offices were reimbursed at a rate of 90% with no annual limit for classes taken as part of the Masters of Social Work (MSW) Child Welfare Specialty Program offered at six participating universities in Michigan.

The PTR program was allocated \$1,439,000 for FY 1997. Approximately 1,200 staff participated in the program and were reimbursed a total of \$409,700. In FY 1998, \$800,000 was allocated to fund reimbursements at the 60% rate, and \$1,000,000 to fund the 90% MSW Child Welfare Specialty curriculum. Reimbursed expenditures for the FY 1998 programs totaled \$260,200 for the 60% program, and \$486,500 for the 90% program through October, 1998.

SCOPE

We performed an audit of the Partial Tuition Refund Program for the period October 1, 1997 through June 15, 1998. Our audit was conducted in accordance with Standards for the

Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We performed a review of the internal control structure for the Partial Tuition Refund Program and evaluated the controls in the system and compliance tested the system where feasible.

EXECUTIVE SUMMARY

Based on our audit, we conclude that internal controls for the Partial Tuition Refund Program need improvement in order to provide management with reasonable assurance that reimbursements made under the PTR are accurate and appropriate. Even though internal controls need improvement, our compliance testing of the PTR data base disclosed no findings of a material nature to be included in this report.

OFFICE OF PROFESSIONAL DEVELOPMENT RESPONSE

The Office of Professional Development has reviewed all findings and recommendations included in this report, and has indicated that they are in general agreement with the report.

FINDINGS AND RECOMMENDATIONS

Processing Partial Tuition Refund Applications

1. The Office of Professional Development does not provide for the adequate separation of duties when processing the Partial Tuition Refund Applications (FIA-1513) received from employees requesting reimbursement. The immediate supervisor and Bureau/Office Director of the employee approves eligibility and signs the FIA-1513. One Central Office PTR staff member is responsible for reviewing the FIA-1513, determining if the employee has reached the limit on reimbursements, computing the amount of reimbursement, entering the data on the Data Base, preparing the payment vouchers, and maintaining the Data Base.

Assigning the responsibility for processing the FIA-1513's received from employees requesting reimbursement and maintaining the PTR Data Base to one individual increases the risk of false or fictitious payments being processed without being detected.

To improve internal controls, the PTR payment processing and Data Base functions should be separated so that one staff member does not have control of the entire process.

WE RECOMMEND the Office of Professional Development separate the functions of payment processing and Data Base entry and maintenance.

Data Base Input Controls

2. The Office of Professional Development has not established adequate control over the payment information entered on the PTR Data Base. PTR staff enter information relating to each specific application for reimbursement on the Data Base, including the amount of payment. There is no batch balancing or other balancing process performed to ensure that the information is entered on the Data Base accurately. We discovered two instances where payment amounts were entered on the Data Base, but were subsequently not paid, or were changed in order to correct errors that were made in computing the amount of reimbursement to be paid the employee. As a result the Data Base and the individual data on these two employees was overstated by \$2,365.80.

Establishing input controls over the data entered on the Data Base will improve the reliability of the Data Base information and provide for better monitoring of the PTR program.

WE RECOMMEND the Office of Professional Development establish input controls over the entering of individual employee data on the PTR Data Base.

Payment Voucher Authorization

3. The Office of Professional Development does not have adequate controls over the authorization of payment vouchers prepared to reimburse employees. Payment vouchers are submitted to authorized staff for approval without supporting documentation.

Authorizing payment vouchers for payment without an examination of the supporting documentation to verify that the payment voucher has been properly prepared increases the risk of inappropriate or inaccurate payments.

To improve internal controls over the payment authorization process the supporting documentation should be submitted with the payment voucher when the vouchers are approved for payment.

WE RECOMMEND the Office of Professional Development require that the supporting documentation be submitted with the payment vouchers when they are approved by authorized staff.

NOTE: We have been informed by the Office of Professional Development that supporting documentation is now being submitted with the payment vouchers when they are approved by authorized staff.

MSW Child Welfare Specialty Program

Effective August 1, 1997 child welfare supervisors and line staff currently working in child welfare in local county offices attending graduate schools with approved MSW Child Welfare Specialty curriculums were reimbursed at 90% of their tuition and enrollment fees. There is no

limit on the amount of tuition reimbursement these employees may receive. All staff receiving the 90% reimbursement are required to commit to work in child welfare for four years after completing the MSW degree program with a child welfare specialty. Staff who drop out of the MSW Child Welfare Specialty Program before completion are subject to repaying the entire amount of reimbursement they received under this program. Our review disclosed the following regarding this program.

Staff Compliance with MSW Child Welfare Specialty Program Policy

4. The Office of Professional Development does not have control procedures in place to adequately monitor the MSW Child Welfare Specialty Program. The Office of Professional Development has not established procedures to monitor participants in the program to determine if they complete the MSW Child Welfare Specialty Program, or if they remain as child welfare workers for four years after graduation.

Without procedures to monitor the progress of staff who have enrolled in the program, or to determine if they remain as child welfare workers for four years, the Office of Professional Development cannot determine if the staff enrolled in the program are complying with Agency policy.

WE RECOMMEND the Office of Professional Development establish monitoring procedures to ensure that all employees who are reimbursed for tuition and fees through the MSW Child Welfare Specialty Program comply with the program requirements.

Monitoring the MSW Child Welfare Specialty Program

5. The PTR Data Base was not 100% accurate in identifying staff who were participating in the MSW Child Welfare Specialty Program. In addition, the PTR Data Base does not facilitate monitoring for compliance with the Program requirements.

Staff receiving reimbursement through the PTR program are assigned an education code when they are entered on the Data Base that identifies the education level they are studying for. Staff who are enrolled in the MSW Child Welfare Specialty Program are assigned a “700” code and are entered on the same Data Base as other staff.

We identified 92 staff with the “700” code on the Data Base summary that was prepared for our audit. Three of these had incorrect codes and were not enrolled in the MSW Child Welfare Specialty Program. We also discovered three staff that had reimbursements in excess of \$2,000.00 that were enrolled in the MSW Child Welfare Specialty Program, but were identified on the Data Base with an incorrect education code (they were listed with the 600 education code, but they should have had the 700 education code).

With over 500 staff participating in the Partial Tuition Refund Program at the time the data base summary was prepared in June 1998, the proper education code is important. Establishing a separate data base for the staff who participate in the MSW Child Welfare Specialty Program would improve monitoring of the program by the Office of Professional Development.

WE RECOMMEND the Office of Professional Development establish a separate Data Base for the staff that participate in the MSW Child Welfare Specialty program in order to facilitate the monitoring of the program according to policy requirements outlined in the Administrative Handbook Item 715.

Determining Staff Eligibility

6. The Office of Professional Development has not been using current Personnel-Payroll Information System for Michigan (PPRISM) information to determine staff eligibility for the PTR program. All permanent full-time, part-time, and permanent intermittent FIA employees who have 1,040 seniority hours before the course starts and are on the FIA payroll throughout the duration of the course are eligible to participate in the PTR program. PTR staff have been using an Alpha Employee List (DJ-006) report for the period 3/8/98 - 3/21/98 to determine staff eligibility for the PTR program. Using information that is not up-to-date could result in PTR staff making an incorrect determination of employee eligibility.

To improve internal control over the PTR program, PTR staff should have access to current PPRISM information to determine if staff applying for partial tuition refund are eligible in accordance with PTR policy.

WE RECOMMEND the Office of Professional Development use current PPRISM information to determine staff eligibility for the Partial Tuition Refund program.

NOTE: We have been informed by the Office of Professional Development that PTR staff will be given access to certain PPRISM information in order to determine if staff are eligible for the PTR program.